GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:495
ANSWERED ON:22.12.2000
MODIFICATION OF ONE IN SIX SCHEME OF INCOME TAX
SUBODH MOHITE

Will the Minister of FINANCE be pleased to state:

(a) whether the Government propose to modify one-in-six income tax scheme;

(b) if so, the details thereof alongwith the reasons therefor;

(c) whether the Government have reviewed the impact of the scheme on direct tax collection;

(d) if so, the details thereof; and

(e) the measures taken to bring more people into the tax net?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (GINGEE N. RAMACHANDRAN)

(a) to(e) : A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO THE LOK SABHA STARRED QUESTION NO. 495 FOR 22.12.2000

(a) & (b) : Any modification in one-by-six scheme would entail amendment of the Income-tax Act. Suggestions relating to amendment of the statute including modification of the scheme are being received by the Government. These will be duly considered during the ensuing budgetary exercise and the decision of the Government would be reflected in the annual budget proposals.

(c) & (d) : The Scheme identifies potential taxpayers, who fulfil any one of the six economic criteria, and are therefore obliged to file a return of income, even though they are not liable to file such return by virtue of taxable income. Since it is relatively easy to target persons on the basis of information relating to the economic criteria, the Scheme also works as a deterrent and compels persons having taxable income to file returns of income in normal course and pay tax thereon. The impact of the Scheme on increasing the tax base is regularly monitored, and its success in this regard is evidenced by the increase in the number of taxpayers from 116.43 lakhs in April, 1997 to 230.11 lakhs in October, 2000. As regards the impact of the Scheme on direct tax collections, no separate data is maintained on the tax thus collected. However, the positive impact of the scheme is reflected in the increase in personal income tax collections from Rs.17,101 crores in 1997-98 to Rs.25,655 crores in 1999-2000, and the buoyancy in the current year in such collections which, upto the end of November, 2000, are higher by 45.03% as compared to the actual collection in the corresponding period last year.

(e) : In addition to the one-by-six scheme, the following legislative measures have been taken to bring more people into the tax net :-
i) Quoting of Permanent Account Number (PAN) has been made compulsory in documents relating to certain specified high value transactions.
ii) With a view to promote the use of PAN as a common business identification number, powers have been delegated to the Central Government to notify certain class or classes of persons for whom it will be obligatory to apply for PAN. To begin with, a Notification has been issued specifying persons assessable under the Central Excise Rules and Service Tax Rules as well as importers and exporters, for this purpose.
iii) A scheme of presumptive income has been provided for in respect of persons engaged in the business of civil construction, transportation and retail trade. Further, information technology tools have been developed and are being utilised to effectively match the database of existing income tax assessees with information gathered from various agencies. Publicity campaigns are also being launched in various cities through the electronic and print media.